



FR-4915-01-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[Docket No. FD 35592]

RailAmerica, Inc., Palm Beach Holding, Inc., RailAmerica Transportation Corp.,
RailTex, Inc., Fortress Investment Group, LLC, and RR Acquisition Holding, LLC—
Control Exemption—Marquette Rail, LLC

AGENCY: Surface Transportation Board.

ACTION: Notice instituting proceeding and request for comments.

SUMMARY: RailAmerica, Inc. (RailAmerica), Palm Beach Holding, Inc. (Palm Beach), RailAmerica Transportation Corp. (RTC), RailTex, Inc., Fortress Investment Group, LLC (Fortress), and RR Acquisition Holding, LLC (RR Acquisition) (collectively, Petitioners), seek an exemption under 49 U.S.C. 10502 from the prior approval requirements of 49 U.S.C. 11323-25 to acquire control of Marquette Rail, LLC (Marquette Rail), a Class III rail carrier. The Board seeks comments on Petitioners' proposed acquisition of control of Marquette Rail.

DATES: Comments are due by March 19, 2012. Replies are due by March 26, 2012.

ADDRESSES: Comments may be submitted either via the Board's e-filing format or in the traditional paper format. Any person using e-filing should attach a document and otherwise comply with the instructions found on the Board's website at www.stb.dot.gov at the E-FILING link. Any person submitting a filing in the traditional paper format should send an original and ten (10) copies referencing Docket No. FD 35592 to: Surface Transportation Board, 395 E Street, S.W., Washington, DC 20423-0001. Additionally,

send one copy of any comments to Petitioners' representative: Louis E. Gitomer, 600 Baltimore Avenue, Suite 301, Towson, MD 21204.

FOR FURTHER INFORMATION CONTACT: Marc Lerner at (202) 245-0390.

Assistance for the hearing impaired is available through the Federal Information Relay Service (FIRS) at (800) 877-8339.

SUPPLEMENTARY INFORMATION: On February 3, 2012, Petitioners filed a petition for exemption pursuant to 49 U.S.C. 10502 from the prior approval requirements of 49 U.S.C. 11323-25 to acquire control of Marquette Rail. Under 49 U.S.C. 11323(a)(5), the acquisition of control of a rail carrier by a person that is not a rail carrier, but that controls any number of rail carriers, requires the approval of the Board. Because Petitioners are noncarriers that control a number of rail carriers, and because they seek to acquire control of Marquette Rail, the proposed transaction is within the jurisdiction of the Board. Petitioners request expedited handling of this petition.

According to the petition, RTC entered a Purchase and Sale Agreement dated January 30, 2012 (the Agreement), with Marquette Rail, Marquette Rail Corp., Farmrail System, Inc., Transportation Solutions, Inc., RC Rail Investments, LLC, Progressive Rail, Inc., JG-MQT-RR Holdings, LLC, and Richard W. Jany (collectively, Sellers). Under the Agreement, RTC will acquire control of Marquette Rail from the Sellers.

Fortress' noncarrier affiliate, RR Acquisition, currently owns about 60% of the publicly traded shares and controls the noncarrier RailAmerica, which directly controls the noncarrier Palm Beach, which directly controls the noncarrier RTC.

RailAmerica states that it controls the following Class III rail carriers: (1) Alabama & Gulf Coast Railway LLC; (2) Arizona & California Railroad Company; (3)

Bauxite & Northern Railway Company; (4) California Northern Railroad Company; (5) Cascade and Columbia River Railroad Company; (6) Central Oregon & Pacific Railroad, Inc.; (7) The Central Railroad Company of Indiana; (8) Central Railroad Company of Indianapolis; (9) Connecticut Southern Railroad, Inc.; (10) Conecuh Valley Railway, LLC; (11) Dallas, Garland & Northeastern Railroad, Inc.; (12) Delphos Terminal Railroad Company, Inc.; (13) Eastern Alabama Railway, LLC; (14) Huron & Eastern Railway Company, Inc.; (15) Indiana & Ohio Railway Company; (16) Indiana Southern Railroad, LLC; (17) Kiamichi Railroad Company, LLC; (18) Kyle Railroad Company; (19) The Massena Terminal Railroad Company; (20) Mid-Michigan Railroad, Inc.; (21) Missouri & Northern Arkansas Railroad Company, Inc.; (22) New England Central Railroad, Inc.; (23) North Carolina & Virginia Railroad Company, LLC; (24) Otter Tail Valley Railroad Company, Inc.; (25) Point Comfort & Northern Railway Company; (26) Puget Sound & Pacific Railroad; (27) Rockdale, Sandow & Southern Railroad Company; (28) San Diego & Imperial Valley Railroad Company, Inc.; (29) San Joaquin Valley Railroad Company; (30) South Carolina Central Railroad Company, LLC; (31) Three Notch Railway, LLC; (32) Toledo, Peoria & Western Railway Corporation; (33) Ventura County Railroad Corp.; and (34) Wiregrass Central Railway, LLC.

Further, Fortress, on behalf of other equity funds managed by it and its affiliates, directly controls the noncarrier FECR Rail LLC, which directly controls FEC Rail Corporation, which directly controls Florida East Coast Railway, LLC, a Class II rail carrier.

Petitioners state that Mid-Michigan Railroad, Inc. (MMRR), which is controlled by RailAmerica, operates between milepost 137.8 at Lowell, Mich., and milepost 159.5 at

Walker, Mich., and is crossed by CSX Transportation, Inc. (CSXT) at MMRR milepost 2.9. Marquette Rail's line¹ physically ends north of the MMRR line at Turner Avenue, NW. Thus, to facilitate interchange with CSXT, Marquette Rail uses CSXT's track that crosses the MMRR line to reach CSXT's Wyoming Yard, the point of interchange for cars received from Marquette Rail. According to Petitioners, the only way for Marquette Rail to reach Wyoming Yard is by operating over the CSXT line. Petitioners further state that the diamond over the MMRR track is used by Marquette Rail solely for the purpose of interchanging traffic with CSXT at Wyoming Yard and that Marquette Rail has no other rights to use the crossing track.

By issuing this notice, the Board is instituting an exemption proceeding pursuant to 49 U.S.C. 10502(b). Comments on the proposed acquisition of control may be filed as set forth above.

Board decisions and notices are available on our website at "WWW.STB.DOT.GOV".

Decided: February 23, 2012.

By the Board, Rachel D. Campbell, Director, Office of Proceedings.

Jeffrey Herzig

Clearance Clerk

¹ The Board previously granted Marquette Rail an exemption to lease from CSXT approximately 129.03 miles of rail line in Marquette Rail, LLC—Lease & Operation Exemption—CSX Transp., Inc., FD 34728 (STB served Oct. 26, 2005).

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